

State Revenues Dip in April

State net general fund revenues are lower than anticipated by the most recent February budget forecast, due to individual income tax collections being \$161 million lower than forecast. The net reduction this month, accounting for all revenues, is \$86 million lower, resulting in lower income tax collections offset by higher than anticipated collections for franchise taxes that are \$75 million higher than forecast in February. The Legislature uses, and will continue to use, the February budget forecast to set its budget. Monthly revenue updates are provided by the State Office of Management and Budget. The next complete forecast will be issued in November.

Legislative Update: Budget Negotiations, Conference Committees, Bill Vetoes

There are 10 days remaining in the 2017 legislative session. Budget negotiations among the Governor and legislative leaders are now on hold until Monday, as the Governor and leaders head to the traditional Governor's fishing opener today, May 12.

Budget negotiations – which at this point in a legislative session typically involve closed door meetings of the Governor and leaders often followed by press briefings – stalled Tuesday. The Legislature responded by passing final conference committee reports, which represents the Legislature's position in negotiations. The Governor has indicated he will veto the omnibus bills due to the significant lack of agreement on their numbers as well as numerous policy provisions in these bills to which he has objected. As of today, he has vetoed the omnibus Agriculture, Environment, E-12, State Government and Health and Human Services (HHS) bills. Click here for more information: <https://www.leg.state.mn.us/lrl/vetoes/vetodetails>

By Thursday, Senate action to get budget bill conference committee reports passed had halted due to a single member's absence. (The Senate majority has a 34-33 margin so the absence of one member can stall action on controversial matters). Further legislative action on conference committee reports is in question, but is anticipated early next week.

A brief refresher about conference committees and conference committee reports.

Conference committees are appointed to reconcile bills when there are differences between companion bills passed by both bodies. Usually a conference committee has three or five members. Conference committees typically begin with a staff "side-by-side" description of provisions in House and Senate bills. Committees sometimes meet for weeks, depending on the size of the bill, complexity and differences. This is quite typical for tax bills and other large omnibus bills. Conferees usually move to quickly adopt 'same and similar' provisions in bills and then move on to deliberate provisions for which there are differences. Some conference committees take testimony, others do not.

Once a conference committee comes to agreement on provisions for inclusion in a final conference committee report, a report is drafted and adopted by the committee. The report is then taken up by both bodies for final passage. The conference committee reports, once passed, are then presented to the Governor for his signature or veto.

This year's conference committee process for most budget bills began with the side-by side-walk throughs, adoption of 'same and similar' provisions, and adoption of some of the different House or Senate provisions. However, the Governor had originally indicated he wanted the House and

Senate to have agreed-to positions before initiating negotiations with legislative leaders. At that point, conference committees began to quickly move toward adoption of conference committee bills but to leave conference committee reports in the committee or 'on the table' to allow for negotiations to continue and the re-opening of bills in conference committees if needed depending on negotiations.

After a meeting among legislative leaders and the Governor earlier this week at which there was not agreement on the budget, the House and Senate began to expedite a final passage of conference committee reports, the provisions of which were agreed to by legislative leaders and provided to the committees for consideration and adoption, and for the most part represented a split between House and Senate budget numbers. Conference committee reports for tax and budget bills were passed by the conference committees, largely on party-line votes, and were sent to the floors for final adoption. The status of conference committee reports of interest to Metro Cities is now as follows:

HF 861 (Transportation): Passed House, not yet heard in Senate.

HF 888 (Environment): Passed House and Senate. VETOED 5/12.

SF 1937 (Jobs): Not yet heard in either body. As a Senate file, must be heard first in Senate.

HF 4 (Taxes): Passed House, not yet heard in Senate.

SF 605 (State Government): Not yet heard in either body. VETOED 5/12.

SF 780 (Agriculture): Passed House and Senate. VETOED 5/12.

SF 803 (Judiciary): Not yet heard in either body.

Details on bills of interest to Metro Cities are below.

Jobs Bill Conference Committee

The Jobs conference committee passed its [conference committee report for SF 1937](#) that includes \$24 million for the Minnesota Investment Fund (MIF), \$15 million for the Job Creation Fund (JCF), \$15 million for broadband grants and \$26 million for the Minnesota Housing Challenge Program. The [spreadsheet can be found here](#). The report includes funding for workforce development programs including the Job Skills Partnership. It does not include funding for the Redevelopment Grant Program, which was included in the Senate bill at \$3 million. The conference committee report has yet to be taken up in either body. The conference committee bill spends \$378 million from the general fund. The Governor has recommended a spending level of \$418 million.

Metro Cities is advocating for funding restoration of the MIF at \$30 million for the FY18-19 biennium (\$15 million per year) and \$25 million for the Job Creation Fund (\$12.5 million per year). Governor Dayton's budget offer to legislative leaders this week supports funding for the MIF and JCF programs at these numbers.

The conference committee report also includes a prohibition on local governments enacting ordinances related to consumer bags. This provision contradicts Metro Cities' policy supporting allowing municipalities to decide their own local ordinances. It would also have the effect of nullifying ordinances already enacted by cities.

The report authorizes cities and counties to establish a local housing trust fund for local housing development. Advocates for the proposal had initially recommended state funding to be used to match local contributions to a local trust fund, however, the conference committee did not recommend funding. Several cities across the state utilize existing trust fund authority.

Language requiring legislative review of rules impacting the cost of residential housing units is also in the conference committee report. A state agency must determine if a proposed rule will, on average, increase the cost of residential construction or remodeling by \$1,000 or more per unit.

Upon notification, a legislative committee may advise an agency that the rule should not be adopted as proposed. The agency may not adopt the rule unless the rule is approved by a law enacted after the vote of the committee.

The report also includes interim ordinance language that only allows an interim ordinance to be adopted upon a two-thirds vote by city council members present at a council meeting. Metro Cities did not officially oppose this provision, for which language was negotiated by the League. A separate interim ordinance bill has also passed the House and Senate (see separate article).

A provision in the conference committee report is also traveling separately. It would allow a one-time exception to a city's use of revolving loans funds obtained through the repayment of a Minnesota Investment Fund loan. The Senate passed similar language as a stand-alone bill earlier this week and the House is scheduled to debate it during today's floor session.

Contact Charlie Vander Aarde at 651-215-4001 or charlie@metrocitiesmn.org with any questions.

Small Cell Bill

Metro Cities continues to have strong concerns about efforts by the wireless industry to preempt local control for "small cell" deployment traction, after a successful earlier removal of the objectionable small cell bill provision in the House Jobs bill. Several meetings have been convened to try to resolve differences among cities, municipal utilities, wireless providers and cable providers regarding proposed legislation – [SF 561](#) (Osmek) and [HF 739](#) (Hoppe).

These bills would prevent cities from negotiating rates, permit timelines and maintenance relating to small cell installation and allow for small cell equipment to be placed on public infrastructure within public rights of way. Wireless industry representatives have insisted on a lease rate cap of \$150 per year per site within a right-of-way. This low rate would mean cities would not be able to recoup installation or future maintenance costs, and would result in a subsidy by cities of one specific industry. Cities are being represented by the LMC in meetings and have compromised on provisions with respect to integrating this use in rights-of-way, implementing a 90-day shot clock on approval, no moratoriums, and timelines for applications.

Metro Cities remains concerned this bill will be included in an end-of-session omnibus bill without agreement on areas of concern to cities. In an action alert sent earlier this week, Metro Cities asked city officials to contact their legislators to emphasize that this bill should not move forward unless there is agreement among stakeholders. Metro Cities is concerned that the bill gives a competitive advantage to one industry, decreases control local governments have in siting equipment in rights of way, would allow a private industry to regulate itself and set its fees, does not protect taxpayers from unanticipated expenses from companies using public assets and contains no regulations for wireless companies.

It is the position of Metro Cities that any final agreement should preserve local control of public right-of-way management and allow for the ability of cities to recoup the costs incurred by cities for the deployment of private infrastructure in the public right of way.

Metro Cities encourages city officials to continue contacting their local legislators to express concerns about this legislation. Please contact Steven Huser at 651-215-4003 or steven@metrocitiesmn.org for additional information. Stay tuned for further updates.

Taxes Conference Committee Report

The Taxes Conference Committee report, HF 4, passed the House this week, and awaits action by the Senate. See previous newsletters for a summary of provisions that were passed by the

conference committee, as an amendment, prior to its final adoption this week by the committee, and now the House. Minor amendments were made to the bill as it was given its final adoption by the conference committee. Metro Cities expects the Senate to take up the bill next week. The compromise conference committee agreement sets the spending in the tax bill at \$1.13 billion. The House had originally proposed a target for taxes of \$1.313 billion, and the Senate by comparison spent \$902.9 million.

Interim Ordinance Legislation Passes Senate

Separate interim ordinance legislation, [HF 330](#), also passed the Senate this week. The bill requires a two-thirds vote of members present at the city council meeting. Prior to enacting the ordinance, a city must hold a public hearing and notice must be provided three days prior to the hearing. The legislation stipulates that activities related to the interim ordinance must cease until after the hearing. The bill passed the House and language is also moving in the omnibus Jobs bill noted above. The difference between the bills is that language in HF 330 explicitly states “at least two thirds of city council members present *and voting on the interim ordinance*”, and specifies who must be provided to include anyone who submitted *a housing proposal, has a pending housing proposal, or has provided a written request to be notified of interim ordinances related to housing proposals*.

Metro Cities worked with the LMC to make modifications to the bill as it was considered this year. The vote in the Senate was 38-29. Should the bill be signed by the Governor and enacted, it would take effect on August 1.

Transportation Conference Committee Report Passes House

The Transportation Conference Committee met this week and passed a conference committee report, [HF 861](#). The bill was amended before its passage. The amendments included an amended increase for Municipal State Aid (MSA) funding at \$21.7 million, down from an originally proposed \$23.4 million. The MSA allocation comes from the statutory dedication of auto parts and rental sales tax.

Sections of the bill that prohibited cities, counties, rail authorities and the Met Council from providing funding for construction of a light rail project without legislative approval or funding were removed. A provision providing for the dissolution of CTIB was removed and replaced with language reflecting the move toward agreement by CTIB members to dissolve itself. A provision that would have allowed additional transit opt outs was narrowed to allow an opt out for the city of Excelsior.

The bill also contains language that would restructure the governance of the Metropolitan Council to a 27-member body of local officials, and three transportation mode representatives who would have limited voting authority on the Council, and eliminates the Transportation Advisory Board. Under the amended bill, the Governor retains appointing authority for the Chair, and the provision takes effect in 2019. Metro Cities opposes this provision in the bill.

The conference committee report also allocates an additional \$20 million - for a total of \$50 million of one-time funding – to mitigate the transit operating deficit for Metro Transit. This leaves a deficit of \$17.5 million over the biennium.

The bill passed the House and has not yet been taken up by the Senate. Governor Dayton has said he will veto the bill. Metro Cities had provided testimony to the conference committee to support comprehensive, adequate, and sustainable funding for transportation needs, including roads, bridges, transit, and local street needs, as well as opposition to the metropolitan

governance provisions and elimination of the Transportation Advisory Board (TAB).

Metropolitan Governance Bill Passes Senate

A bill to restructure the Metropolitan Council to a 27-member body comprised of 23 local officials (county and city) as well as three transportation mode representatives, [SF 1490](#)-Osmeck, passed the Senate on Monday evening. The bill also eliminates the Transportation Advisory Board (TAB). Metro Cities opposes this bill.

The bill was amended during debate to give the Governor appointing authority for the chair, making the Council a 28-member body, and changing the effective date to 2019. During the debate, Senator Dibble proposed an amendment that would have provided staggered terms, expansion of the statutory nominating committee and increased transparency in the selection process in place of the bill as proposed, and that reflects policies supported by Metro Cities as well as the Citizens League. That amendment failed on a 32-34 vote. Several legislators spoke in opposition to the bill on the basis that it allows individuals to serve in incompatible public roles, and a member questioned whether local officials would receive dual pensions, as the bill stipulates public salaries for local officials appointed to the Council. The Governor has expressed opposition to this bill. This language is also contained in the transportation conference committee report. The final bill passed on a 34-32 vote.

Environment Conference Committee Report Passes House and Senate

The Environment conference committee report, [HF 888](#), passed the Senate and the House this week. The bill includes a provision that would remove a need for a Department of Natural Resources (DNR) permit to construct storm water management facilities that use storm water for irrigation or other purposes. This is the only type of storm water management facility that currently, by statute, requires a permit from the DNR. Metro Cities supports this provision.

HF 888 also includes a provision that would ban local governments adopting ordinances related to consumer bag bans, fees or taxes. Metro Cities is opposed to this provision. The governor has stated that he intends to veto this bill.

Governor Signs Awards and National Night Out Bills

A bill that would increase the amount cities can spend on awards was signed by the Governor. [SF 1020](#) eliminates the current \$800 cap on awards purchased by local units of government. This law is now in effect.

The Governor also signed [SF 870](#). This law allows cities to spend funds on National Night Out activities as well as other events that help to foster positive relationships with law enforcement. It also allows cities to solicit for contributions for these events. This law is now in effect.

Omnibus Liquor Bill Heard in Ways and Means

[SF 444](#) (Hoppe) was heard in the Ways & Means committee on Wednesday evening. The bill would allow for the sale of alcohol in the Capitol, allow for municipalities to authorize which days and hours that cocktail rooms and micro distilleries can operate, increase the amount of malt liquor sold at off-sale by small brewers to 750 barrels annually, and allows for temporary liquor licenses to be issued by the city of St. Paul and Minneapolis. The bill was passed to the General Register.

Introduced Bills of Note:

[HF 2663](#) (Hamilton) Allows cities to impose a local sales tax through a referendum to fund debt service on bonds or obligations for specific projects.

[HF 2661](#), Establishes a program to make grants to local governments to build skate parks.

MCES Customer Forum: 2018 Budget

The Metropolitan Council is hosting *two* upcoming customer forums to discuss and provide input on MCES services, current topics, and upcoming fiscal year budget and rates. Cities should watch their email for city-specific preliminary 2018 MWC (municipal wastewater charge) rates that will be sent next week.

Tuesday, May 23, from 9:00-11:00am at Minnetonka City Hall Council Chambers
(14600 Minnetonka Blvd, Minnetonka)

Thursday, June 8, from 1:30-3:30pm at the Metro Cities/LMC building
(145 University Ave W, St. Paul)

These forums are open to all staff and elected officials. To attend, RSVP to Kristin Hess at kristin.hess@metc.state.mn.us or 651-602-1016. If you have further questions, contact Ned Smith at ned.smith@metc.state.mn.us.

Metro Cities Policy Committees

Thank you to everyone who has signed up so far for a Policy Committee! Topic Solicitation emails were sent yesterday to everyone currently signed up for a Policy Committee. Please let Kimberly know if you received an email but will not be able to serve on a committee, OR if you did not receive an email and wish to serve on a committee. It's not too late to be added to the committee(s) of your choice!

Policy committees are open to city staff as well as elected officials and the form to sign-up can be found [HERE](#). Whether you are new to the process or have participated in a committee in the past, we welcome your participation in one or more of the committees in 2017.

Policy Committees recommend legislative policies for the next legislative session, and those policies serve as a foundation for our work at Metro Cities. Being part of a Policy Committee is a great opportunity for *your* city to have a voice in the processes for the policies as well as at the legislature.

The committees and dates are listed on our website [here](#), along with updates and additional information as it becomes available. All meetings take place at the Metro Cities/League of MN Cities building from **11:00-1:30pm**.

Please consider serving, and encourage other staff and officials within your city to do the same!

Email Kimberly with questions at kimberly@metrocitysmn.org.

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